

CONFIDENTIAL
FM THE HAGUE
TO DESKBY 070930Z FCO
TELNO 505
OF 070915Z DECEMBER 89
INFO IMMEDIATE UKREP BRUSSELS
INFO PRIORITY EC POSTS

FRAME GENERAL

MY TELEGRAM 502: EUROPEAN COUNCIL : EMU

1. DUTCH COMPROMISE PROPOSAL OVER EMU AND AN IGC.

DETAIL

2. TODAY'S DUTCH PRESS REPORTS THAT LUBBERS AND VAN DEN BROEK WILL HAVE IN THEIR POCKETS FOR THE EUROPEAN COUNCIL QUOTE A COMPROMISE PROPOSAL UNQUOTE IN RESPECT OF EMU, AND IN PARTICULAR AS REGARDS AGREEMENT TO AN IGC. THIS WOULD BE AN AGREEMENT IN PRINCIPLE TO HOLDING AN IGC IN THE AUTUMN OF 1990, BUT SUBJECT TO A NUMBER OF CONDITIONS BEING SPECIFIED AND SUBSEQUENTLY FULFILLED BEFORE AN IGC COULD ACTUALLY BE CALLED. IF THE CONDITIONS WERE NOT FULFILLED, THE IGC WOULD BE POSTPONED.

3. MERCKELBACH (DIPLOMATIC ADVISOR TO LUBBERS) TOLD ME YESTERDAY EVENING THAT A MINISTERIAL MEETING HELD EARLIER IN THE DAY TO PREPARE THE DUTCH POSITION FOR THE EUROPEAN COUNCIL, HAD AGREED THAT LUBBERS SHOULD FLOAT THE IDEA OF THEIR BEING A CHECK POINT BEFORE AN IGC WENT AHEAD, AT WHICH CERTAIN CONDITIONS WOULD BE SEEN TO HAVE BEEN MET. LUBBERS WOULD NOT NECESSARILY SEEK AGREEMENT AT STRASBOURG TO WHAT THOSE CONDITIONS SHOULD BE. NOR WOULD HE INSIST ON THE CONCEPT BEING INCLUDED IN THE EUROPEAN STATEMENT: THE AIM WAS TO SECURE AN UNDERSTANDING ABOUT THE CONDITIONS UNDER WHICH AN IGC WOULD BE HELD OF A KIND WHICH MIGHT MAKE A CONSENSUS EASIER TO REACH. I REMINDED MERCKELBACH OF THE REASONING BEHIND OUR STRONG VIEW THAT AN IGC IN 1990 WOULD BE PREMATURE.

4. THE DUTCH MINISTER OF FINANCE, KOK, HAS SENT A NOTE TO PARLIAMENT IN WHICH HE HAS SET OUT 4 KEY QUESTIONS ON WHICH THE GOVERNMENT BELIEVE THERE MUST BE GENERAL AGREEMENT FOR AN IGC TO BE HELD SUCCESSFULLY. ALTHOUGH THESE POINTS WERE DRAFTED WITHIN THE FINANCE MINISTRY, OFFICIALS THERE HAVE TOLD US THAT FOLLOWING MUCH DISCUSSION AMONG MINISTERS, THEY NOW REPRESENT GOVERNMENT POLICY. THE POINTS ARE: PRICE STABILITY AND INDEPENDENCE AS THE BASIS OF OPERATION OF A

CENTRAL MONETARY AUTHORITY: AGREEMENT OVER HOW BUDGETARY POLICIES AND BUDGETARY DEFICITS ARE TO BE HANDLED: AGREEMENT OVER THE TRANSFER OF NATIONAL COMPETENCE: AND PARLIAMENTARY ACCOUNTABILITY. THE LAST POINT IS OF INTEREST IN THAT IT HAS NOT SO FAR BEEN ONE WHICH THE DUTCH HAVE TENDED TO STRESS.

5. FCO PLEASE ADVANCE KERR, HADLEY (CABINET OFFICE)

JENKINS

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